



Final Minutes
Endowment Fund Investment Board Meeting
February 17, 2006

A regular meeting of the Endowment Fund Investment Board (Board) was held in the Board Conference Room at 816 W. Bannock Street, Ste. 301, Boise Idaho on February 17, 2006. Chairman M. Dean Buffington called the meeting to order at 9:08 a.m. and recognized that a quorum was present.

Members Present:

Dean Buffington
John Taylor
Sue Simmons
Vaughn Heinrich
Richelle Sugiyama
Gavin Gee
Senator Brad Little

Staff Present:

Larry Johnson
Judy Shock

Legal Counsel:

Julie Weaver

Members Absent:

Tom Kealey
Representative Bill Deal

Guests:

Corrie Keller, JRF
Justice Burdick, JRF
Bill Reese, JRF
Tim McAvoy, Marvin & Palmer
Todd Marvin, Marvin & Palmer
John Pickett, RBC Dain
Patrick Schloss, NWQ (12:15)
Mike Mullane, NWQ (12:15)

Hard copies of board materials were mailed and delivered five days prior to the scheduled board meeting and a meeting notice was posted on the door of the EFIB office beginning February 8, 2006.

Chairman Buffington extended congratulations and welcomed new board members Sue Simmons and Richelle Sugiyama.

Judges Retirement Fund

In addition to the materials from the board packet (pages 5-26), Justice Burdick handed out information regarding HB628 (rule making authority) and RS 15894 (addressing the unfunded liability of the Fund). Justice Burdick indicated that Senator Darrington will introduce these bills today. He also stated that the analysis of asset/liability is progressing and when this information is completed, a copy will be forwarded to the Board.

Investment Manager Presentation – Marvin & Palmer

Tim McAvoy and Todd Marvin presented updates on Marvin & Palmer, an International Equity manager for the endowments. The presentation is included in the board packet on pages 27-53.

Senator Little arrived at 10:00 a.m., during the presentation. Justice Burdick, Corrie Keller, Mr. McAvoy and Mr. Marvin departed the meeting at 10:05 a.m.

Following the Marvin & Palmer presentation, there was discussion of the Judges Retirement Fund actuarial evaluation. The Board asked Mr. Johnson to work closely with the Judges' Fund representatives to understand the actuarial assumptions and the asset/liability study being performed by RBC Dain.

Board Meetings: Approved

Mr. Gee made a motion that the minutes of the November 15, 2005 and February 6, 2006 meetings be approved as submitted. The motion was seconded by Vaughn Heinrich and approved unanimously.

Client Updates – Staff & RBC Dain:

John Pickett presented the RBC Dain reports – which are in the board packet, pages 63-108.

Senator Little departed at 10:55 a.m.

Endowment Fund – Mr. Pickett stated that the current status of the Fund is satisfactory relative to its goals and policies, with the exception that Marvin & Palmer and Oppenheimer are still on the “watch list”. The total fund earned 2.5% in the fourth quarter and 7.9% for the last year (net of fees) relative to benchmarks of 1.9% and 6.0%, respectively. He was pleased with Marvin & Palmer’s presentation today.

State Insurance Fund – Mr. Pickett stated that the current status of the Fund is satisfactory relative to its goals and policies. The total fund earned 0.8% in the fourth quarter and 2.4% for the last year (net of fees) relative to benchmarks of 0.7% and 2.6%, respectively. Mr. Pickett indicated that RBC and EFIB staff are investigating active management in the International Equity and 1-3 year Treasury asset classes.

Judges Retirement Fund – Mr. Pickett stated that the current status of the Fund is satisfactory relative to its goals and policies. The total fund earned 1.7% in the fourth quarter and 5.3% for the last year (net of fees) relative to benchmarks of 1.9% and 6.0%, respectively. Mr. Pickett recommended that the current asset allocation and overall health of this plan be reviewed upon completion of the asset/liability study.

Mr. Reese left the meeting at 11:40 a.m.

EFIB Staff Reports

Mr. Johnson discussed the Reform Review Task Force information, pages 110-123 in the board packet. He plans to develop a new EFIB mission statement (slide 13) and shared analysis of the volatility of the Earnings Reserve Fund and the challenges that make it very difficult to forecast timber revenues. EFIB staff will be meeting with Department of Lands accounting personnel on March 8 to develop an understanding by both agencies of the complete cash flow process for revenues from state endowment lands.

Mr. Johnson reviewed the following reports: Market Value, New Money Received, and Expenses vs. Budget reports with the Board. It was suggested that the New Money Received report indicate clearly that it is prepared on a fiscal year basis.

Mr. Johnson discussed the Capital Spending Proposals, pages 127-130: 1) Expanding the present board room an additional 3 feet. Senator Little suggested that an expanded board room could be shared with other tenants in the building and asked EFIB staff to contact the building manager (Colliers) to see if they would contribute to the costs of this expansion. No action was taken; 2) Copier/Printer/Scanner/Fax Machine Unit – No action was taken.

Mr. Johnson shared changes made to EFIB staff salaries (page 131) as a result of the legislature’s decision to provide additional funding for employee compensation effective January 29, 2006. Since these actions had to be taken before today’s meeting, and did not result in a change to the Manager of Investment’s salary, they were reviewed with the Executive Committee before entry into the payroll system.

Policies: Mr. Johnson and Ms. Weaver presented the Board Member Conflict of Interest policy, page 132, and revised Travel and Training Policy, pages 134-135, for the Board’s approval.

Mr. Taylor moved that both policies be approved as presented. Mr. Gee seconded the motion, which was approved unanimously.

Mr. Mullane and Mr. Schloss, NWQ joined the meeting at 12:15 p.m.

Chairman Buffington indicated that, per the overtime policy adopted at the last board meeting, Mr. Johnson's time sheets have been reviewed thru January 2006. Mr. Johnson pointed out the Employee Gift Log on pages 136-137.

An updated Authorization for Signature list was circulated and new committee assignments were discussed. It was the informal consensus of the board that Chairman Buffington appoint members to serve on the committees over the next few weeks. The plaques to be sent to departing board members Bill Mitchell, Parker Woodall and Rick Miller were shown to the Board.

Investment Manager Presentation – NWQ

Mr. Johnson introduced Patrick Schloss and Mike Mullane of NWQ and thanked them for providing boxed lunches from Smoky Davis. Mr. Schloss and Mr. Mullane provided an update on NWQ. Additional booklets were handed out for review.

Mr. Reese joined the meeting at 1:10 p.m., shortly after the start of the NWQ presentation.

Mr. Mullane and Mr. Schloss left the meeting, following their presentation..

Manager Presentation Schedule

Mr. Johnson proposed a schedule of Investment Managers to present at future board meetings, page 142 in the board packet. It was determined that the schedule be revised – with only one manager presenting at each meeting.

Executive Session

Senator Little made a motion that the board enter Executive Session pursuant to Idaho Code § 67-2345 (1) for the purpose of considering the hiring and contract renewal of agents providing professional services and consulting services to the Board. The motion was seconded by Mr. Gee and carried unanimously

The roll call vote was:

Dean Buffington - Aye
Richelle Sugiyama - Aye
Susan Simmons - Aye
Senator Brad Little - Aye
Gavin Gee - Aye
Vaughn Heinrich - Aye
John Taylor – Aye

The board ended executive session at 1:50 p.m. A motion was made by Mr. Taylor and seconded by Mr. Gee and carried unanimously,

Adjournment

There being no further business to come before the Board, Mr. Heinrich made a motion to adjourn, which was seconded by Mr. Gee, and passed unanimously by members present. The meeting adjourned at 1:55 p.m.